

## MSHDA POLICIES & PROCEDURES

# SINGLE FAMILY - 103% LTV CONVENTIONAL LOAN PROGRAM

Effective Date: 12-1-06

Replaces Issue of: 11-21-06

Product Name: CONV-103

### SUMMARY:

This is a 30-year fixed rate conventional or insured conventional loan available to low-to-moderate income borrowers who meet the MSHDA sales price and income limit eligibility guidelines. The mortgage amount may include buyer paid closing costs and prepaid expenses providing the loan to value does not exceed 103% of the lesser of sales price or appraised value. If the borrower has had ownership interest in a primary residence in the last three (3) years, they are not eligible for the program unless they are purchasing in a targeted area (where there are no prior home ownership restrictions). All adult members of the household must apply jointly for the loan. Non-occupant co-borrowers and co-signers are not permitted.

### PRODUCTS:

MSHDA Conventional 103%

- (Step, Buydown, and Down Payment Assistance Options are not available)

### LOAN PURPOSE:

Purchase of Single family, owner-occupied primary residence ONLY

### INCOME LIMITS:

Income limits apply and are available online at:

[http://www.michigan.gov/documents/mshda\\_sf\\_income\\_and\\_sales\\_price\\_limits\\_100946\\_7.pdf](http://www.michigan.gov/documents/mshda_sf_income_and_sales_price_limits_100946_7.pdf)

### SALES PRICE LIMITS:

Sales price limits apply and are available online at:

[http://www.michigan.gov/documents/mshda\\_sf\\_income\\_and\\_sales\\_price\\_limits\\_100946\\_7.pdf](http://www.michigan.gov/documents/mshda_sf_income_and_sales_price_limits_100946_7.pdf)

### OCCUPANCY REQUIREMENTS:

The borrower must occupy the property as his/her primary residence within 60 days of loan closing.

### ELIGIBLE PROPERTIES

- New, not previously occupied, single family homes or builders' models that have not been occupied.
- Existing single-family homes or condominiums that have been previously occupied.
- New condominiums approved by FNMA or FHLMC, or insurer (FHA, VA, RD).
- New condominiums approved by MSHDA upon submission and review of "Application for Condominium Project Authorization", form SFH 130.

### ASSUMABILITY:

The mortgage may be formally assumed; however, certain restrictions will apply with respect to income, credit and sales price limits.

### LOAN TERM:

30-year term

<b>MINIMUM LOAN AMOUNT:</b>	There is no minimum loan amount
<b>MAXIMUM LOAN AMOUNT:</b>	The maximum mortgage amount for the applicable jurisdiction may not exceed the maximum loan as determined by the loan to value limit for the MSHDA loan program (103%). <u>(Loan Cannot Include ANY Portion of a Financed Mortgage Insurance Premium).</u>
<b>MAXIMUM LOAN TO VALUE:</b>	103% LTV
<b>STEP RATE OPTION:</b>	Not available with this loan program
<b>TEMPORARY INTEREST RATE BUYDOWN OPTION:</b>	Not available with this loan program
<b>SUBORDINATE FINANCING:</b>	Not available with this loan program
<b>QUALIFYING RATIOS:</b>	Generally, the ratios should not exceed 30%/39%
<b>THIRD PARTY CONTRIBUTIONS:</b>	<p>An interested party is anyone (other than the property purchaser) who has a financial interest in, or can influence the terms and the sale or transfer of, the subject property. This includes the property seller, the builder/developer (or an affiliate who may benefit from the sale of the property), and the real estate agent or broker. When the property purchaser receives financial assistance from a relative, domestic partner, fiancé, fiancée, municipality, nonprofit organization, or employer, MSHDA does not consider the provider of the assistance to be an interested party to the sales transaction unless the person or entity is the property seller (or is affiliated with the property seller).</p> <p>The maximum allowable contributions from interested parties is limited to 3% of the lesser of the property's sales price or appraised value for a mortgage secured by a principal residence, if the loan-to-value ratio (or, if applicable, the combined loan-to-value ratio) is greater than 90%.</p> <p>These contributions are allowed for closing costs and certain prepaid settlement costs only. Certain prepaid settlement costs are defined as: interest charges covering any period after the settlement date, real estate taxes covering any period after the settlement date, hazard insurance premiums, and any escrow accruals required for renewal of borrower-purchased mortgage insurance coverage.</p>
<b>UNDERWRITING:</b>	<ol style="list-style-type: none"> <li>1. Minimum FICO Score of 680</li> <li>2. This program requires manual underwriting and should not be submitted to Desktop Underwriter or Loan Prospector.</li> </ol>

3. Non-traditional credit is not allowed.
4. Include all outstanding debt with more than 10 months remaining.
5. Deferred Student Loans must be included in the DTI ratio.
6. All collections, judgments, civil liens and charge-offs must be paid-in-full. Verification that collections are paid should accompany a statement from the borrower stating the reasons for derogatory information.
7. A gift from a relative, domestic partner, fiancé, or fiancée is permitted. Borrower must provide verification of gift funds in applicable account of borrower or donor. Gift funds may be used for down payment and closing costs. A gift letter is required.
8. Previous bankruptcy:
  - Chapter 7 - Generally, the borrower should be discharged from a Chapter 7 Bankruptcy for at least 24 months prior to loan application date and have satisfactory re-established credit.
  - Chapter 13 – A Chapter 13 Bankruptcy may be considered for loan approval with less than 24 months from discharge providing documentation is submitted to evaluate the applicant's overall financial strength and providing the applicant has a re-established credit history with a minimum FICO Score of 680.
9. Foreclosure or Deed in Lieu of Foreclosure:

A borrower whose principal residence or other real property was foreclosed or gave a deed-in-lieu of foreclosure within the previous three (3) years is generally not eligible for a new MSHDA mortgage. However, if the foreclosure or deed-in-lieu of foreclosure was the result of documented extenuating circumstances that were beyond the control of the borrower and the borrower has re-established good credit since the foreclosure, MSHDA may grant an exception to the three-year requirement. Further information is available in Section 11.7 of the Single Family Operating Manual.
10. Mortgage Credit Certificates (MCC) may not be used in conjunction with the MSHDA mortgage loan programs.

**RENT CREDIT:**

If the borrower had a lease with an option to purchase and exercises that right to purchase, the total amount of rent credit that can be given to the borrower is the amount paid over and above the Fair Market Rent for the particular area, as established by the appraisal. Lenders should be certain the appraiser reflects the Fair Market Rent in the appraisal if they are using a rent credit.

**WORK CREDIT/  
SWEAT EQUITY:**

Work credit/sweat equity will be restricted to work for which the borrower is reasonably qualified by experience and training. Documentation supporting the borrower's qualifications may be required under certain circumstances. MSHDA will require personally accumulated cash from the borrower of at least 2½% of the sales price where work credit/sweat equity is being used. Work credit/sweat equity may consist of labor items only. A written work credit/sweat equity agreement, signed and dated by the seller and the borrower, is required. The agreement will

identify the labor and the amount of credit for each labor item. Allowances for materials must be identified separately. Credit for materials is only permissible if supported by paid invoices identifying the subject property.

**HOME BUYER  
EDUCATION:**

Borrowers are required to receive homebuyer education counseling if the LTV is 97% or greater. The homeownership counselor must be a MSHDA LINKS to Homeownership Certified Counselor.

**MORTGAGE  
INSURANCE:**

1. Acceptable Insurers: Private mortgage insurance is acceptable only from companies authorized to issue mortgage insurance, licensed to do business in Michigan, rated "AA" or greater by Standard and Poor or an equivalent rating by another nationally recognized rating agency, and approved by MSHDA.

1. Required Coverage: The amount, terms, and extent of insurance coverage must be in accordance with the particular bond issue as directed by MSHDA.

Below are the required insurance coverage requirements for private mortgage insurance.

<u>Initial LTV</u>	<u>Coverage Required</u>
97.1 – 103%	35%
95.1 – 97%	28%
90.1 – 95%	25%
80.1 – 90%	20%
80% - below	0%

3. Financed Mortgage Insurance: The loan amount cannot include any portion of a financed mortgage insurance premium.

**ALLOWABLE  
FEES:**

The lender may collect an Origination Fee of up to 1% of the loan amount. The lender may also be reimbursed for expenses incurred in processing, such as credit reports, appraisals, surveys, etc., not to exceed the actual cost of these expenses.

**FEDERAL  
RECAPTURE  
TAX:**

If property is sold within nine (9) years from the date of loan closing, the borrower may owe a recapture tax. This tax is based on the household income and family size during the year of resale, and on the length of time the borrower occupied the property.

**LOAN DOCUMENTATION REQUIREMENTS:**

**APPLICATION  
DOCUMENTS:**

Refer to "*Loan Submission Checklist*", SFH 134, for required documents. (This form is located in the Miscellaneous Documents Section of the Lender on Line Web site.). The application documents are:

1. Mortgage Loan Data Summary Sheet, SFH 117

2. Insurance/Guaranty Certificate
3. Loan Application (FNMA 1003)
4. Counseling Certificate
5. Evidence of Social Security Number
6. Copy of Driver's License
7. Credit Report
8. Verification of Income
9. Verification of Assets
10. Purchase Agreement/Contract to Build
11. Appraisal
12. Initial Application Affidavit, SFH 106(4/06)
13. Signed Federal Tax Returns for last 3 years, as applicable
14. Required Builder Information, as applicable
15. FNMA 1008, Transmittal Summary

**CLOSING  
DOCUMENTS:**

***The most current version of all mortgage document forms must be used.***

- a) Conventional Mortgage, Note & Assignment:
- i. Fannie-Freddie Michigan Mtg 3023
  - ii. Fannie-Freddie Multistate Fixed Rate Note 3200
  - iii. Assignment of Mortgage, SFH 102
  - iv. Universal Tax Exempt Financing Rider SFH 122U

**NOTE:** Refer to "Conventional Mortgage Document Control Sheet", SFH 135, for **other** required documents. This form is located in the Conventional Loan Section of the Lender on Line Web site under Closing Documents.

**TITLE INSURANCE/  
PRIVATE MORTGAGE  
INSURANCE:**

The name of the insured on all title insurance policies or private mortgage insurance certificates may read:

"[Lender's name], its successors and/or assigns"

**SHORT FORM  
TITLE INSURANCE  
POLICY:**

A short form title policy issued at closing is acceptable.